

KALAMAZOO AREA TRANSPORTATION STUDY
Kalamazoo Michigan

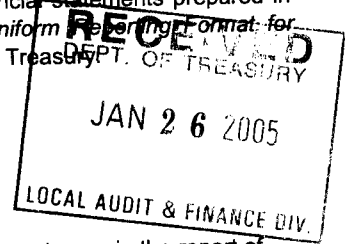
Financial Statements
September 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name KALAMAZOO AREA TRANSPORTATION STUD	County KALAMAZOO
Audit Date 9/30/04	Opinion Date 11/3/04	Date Accountant Report Submitted to State: 1/21/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Accounting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) GARDNER, PROVENZANO & SCHAUMAN, P.C.			
Street Address 4855 STATE STREET	City SAGINAW	State MI	ZIP 48608
Accountant Signature 		Date 1/21/05	

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INDEPENDENT AUDITOR'S REPORT

November 3, 2004

To The Policy Committee
Kalamazoo Area Transportation Study
Kalamazoo, Michigan

We have audited the accompanying financial statements of the business type activities of the Kalamazoo Area Transportation Study as of and for the years ended September 30, 2004 and 2003, which comprise the organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Kalamazoo Area Transportation Study's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Kalamazoo Area Transportation Study as of September 30, 2004 and 2003, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

To The Policy Committee
Kalamazoo Area Transportation Study
Kalamazoo, Michigan
November 3, 2004
Page Two

The management's discussion and analysis on pages 1 through 4 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2004, on our consideration of the Kalamazoo Area Transportation Study's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules included on pages 15 through 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as whole.

 | Schauman, P. C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION & ANALYSIS

KALAMAZOO AREA TRANSPORTATION STUDY MANAGEMENT'S DISCUSSION AND ANALYSIS

I. General Description of Basic Financial Statements

The Kalamazoo Area Transportation Study (KATS) is the Metropolitan Planning Organization (MPO) for Kalamazoo County. As the MPO, KATS prepares a 20 year Transportation Plan, a Transportation Improvement Program, and assigns federal surface transportation program funds available to Kalamazoo County to various eligible road and public transportation projects. Funding for KATS is provided for on a reimbursement basis of expenses incurred on its programs. Other local agencies match a certain amount to complete the program by contributing in-kind effort. A policy committee that consists of several representatives from local governmental agencies governs KATS.

For accounting purposes, KATS uses only one fund. The fund is a business type enterprise fund that applies the full accrual basis of accounting. Hence, unlike most governmental units, KATS reports its financial information only in the full accrual format. The audited financial activities of KATS are presented herein. These statements include:

- Statements of Fund Net Assets
- Statements of Revenues, Expenses, and Changes in Net Assets
- Statements of Cash Flows

Along with the financial statements are the footnote disclosures and supplementary information.

II. Condensed Financial Statements and Analysis and Discussion of Significant Transactions

Following are condensed government wide financial statements for fiscal year 2004 and 2003 for KATS.

Table One – Net Assets

	<u>2004</u>	<u>2003</u>
ASSETS		
Current assets	\$ 209,669	\$ 779,256
Capital assets	6,178	9,781
Total Assets	<u>\$ 215,847</u>	<u>\$ 789,037</u>
LIABILITIES		
Current liabilities	\$ 93,043	\$ 655,900
Total Liabilities	<u>\$ 93,043</u>	<u>\$ 655,900</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 6,178	\$ 9,781
Unrestricted	116,626	123,356
Total Net Assets	<u>\$ 122,804</u>	<u>\$ 133,137</u>

KALAMAZOO AREA TRANSPORTATION STUDY
MANAGEMENT'S DISCUSSION AND ANALYSIS

II. Condensed Financial Statements and Analysis and Discussion of Significant Transactions (cont.)

Table Two – Changes in Net Assets

	<u>2004</u>	<u>2003</u>
REVENUES		
Federal and State grants	\$ 211,433	\$ 240,544
Local unit contributions (in-kind)	221,583	252,136
Interest income and other	30,440	9,967
Total Revenues	<u>463,456</u>	<u>502,647</u>
EXPENSES		
Reimbursed program expenses	240,843	244,246
Contributed effort (in-kind)	221,583	252,136
Other	11,363	1,634
Total Expenses	<u>473,789</u>	<u>498,016</u>
Change in Net Assets	<u>\$ (10,333)</u>	<u>\$ 4,631</u>

Table Three – Cash Flows

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Change in net assets	\$ (10,333)	\$ 4,631
Adjustments to reconcile change in net assets to net cash provided by activities		
Depreciation	3,603	3,604
(Increase) decrease in:		
Current assets	106,172	86,541
Decrease (increase) in:		
Current liabilities	(562,857)	6,061
Net Cash Provided (Used) By Operating Activities	<u>(463,415)</u>	<u>100,837</u>
Cash (due from KCRC), beginning of year	560,691	459,854
Cash (due from KCRC), end of year	<u>\$ 97,276</u>	<u>\$ 560,691</u>

There was a significant decrease in the assets, specifically cash, and liabilities between the fiscal years. The refunding of excess reimbursements received by KATS caused the decrease. KATS, The Michigan Department of Transportation, and the Federal grantors agreed upon the amount of refunding necessary. The payment was made in fiscal year 2004.

KALAMAZOO AREA TRANSPORTATION STUDY
MANAGEMENT'S DISCUSSION AND ANALYSIS

II. Condensed Financial Statements and Analysis and Discussion of Significant Transactions (cont.)

Net Assets decreased by \$10,333. Non-reimbursable expenses in excess of other income caused the decrease. The non-reimbursable expenses are mainly for audit fees that are not allowable for reimbursement since the organization's total expenses are below the \$500,000 limit for federal single audit requirements.

III. Budget Process

The KATS budget is prepared annually and is contained in the Unified Work Program (UWP) adopted by the Policy Committee and approved by MDOT and the Federal Highway Administration (FHWA). This budget identifies the areas of planning work anticipated to be addressed in the year with estimates of time and resources needed for that work. FHWA, FTA, MDOT, and local agency staffs have input into the budget process so that areas of emphasis can be included. As with any estimate, the areas of planning work may actually demand more or less resources than estimated. If the anticipated changes are significant, the UWP is amended.

The estimated cost rates for wages, fringes, and indirect costs are used for billing reimbursements of program expenses. At the end of the year, actual costs incurred are determined and a final bill adjusting reimbursements to actual is submitted.

The actual costs incurred by KATS along with local matching contributed costs and the amended budget for fiscal year 2004 displayed by grant and work element are included on pages 15 through 19. A comparison of final amended budget to actual displayed by natural expense category is included on page 20. Actual expenses were less than budgeted. The primary reason for this is the fact that one full-time staff position that was budgeted remained vacant.

IV. Capital Assets and Long-Term Debt

Following is a summary of capital assets and accumulated depreciation for the fiscal year 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Equipment and furniture	\$ 59,477	\$ 59,477
Accumulated depreciation	(53,299)	(49,696)
Capital Assets Net of Accumulated Depreciation	<u>\$ 6,178</u>	<u>\$ 9,781</u>

KALAMAZOO AREA TRANSPORTATION STUDY
MANAGEMENT'S DISCUSSION AND ANALYSIS

IV. Capital Assets and Long-Term Debt (cont.)

The capital assets of KATS consist of office furniture and equipment. KATS has implemented a capitalization policy consistent with MDOT and FHWA that requires all items purchased having a useful life in excess of one year and costing more than \$5,000 must be capitalized and depreciated rather than being directly expensed. Currently, there are no plans for future capital asset purchases.

KATS does not have any long-term debt.

V. Currently Known Facts, Decisions, or Conditions Expected to Have a Significant Effect

In the past, KATS had the ability to be reimbursed for all allowable costs incurred with administering its grants and programs. Going forward, management does not believe that total program costs will exceed the \$500,000 threshold that would allow for audit fees to be a reimbursable item. To offset the effect of this non-reimbursable expense, a plan will need to be adopted to offset the slow, but inevitable erosion of the organization's financial position.

KALAMAZOO AREA TRANSPORTATION STUDY
STATEMENTS OF FUND NET ASSETS
SEPTEMBER 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
Due from Kalamazoo County Road Commission	\$ 97,276	\$560,691
Contracts receivable	3,702	5,512
Due from Grantors	107,094	211,417
Prepaid expense	1,597	1,636
Equipment and furniture	59,477	59,477
Accumulated depreciation	(53,299)	(49,696)
Total Assets	<u>\$215,847</u>	<u>\$789,037</u>
LIABILITIES		
Accounts payable	\$ 2,896	\$ 11,255
Due to Grantors, current	19,881	23,146
Due to local agencies - MTF	2,435	3,898
Compensated absences	22,831	17,920
Advances from local units	45,000	45,000
Refund Due to Grantors Section 112	-	372,126
Refund Due To Grantors STP-U	-	48,777
Refund Due to Grantors Section 08	-	133,778
Total Liabilities	<u>93,043</u>	<u>655,900</u>
NET ASSETS		
Invested in capital assets, net of related debt	6,178	9,781
Unrestricted	116,626	123,356
Total Net Assets	<u>122,804</u>	<u>133,137</u>
Total Liabilities And Net Assets	<u>\$215,847</u>	<u>\$789,037</u>

See accompanying notes to financial statements.

KALAMAZOO AREA TRANSPORTATION STUDY
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
REVENUES		
Federal grants	\$ 202,248	\$ 235,090
State grants	9,185	5,454
Local unit contributions (in-kind)	221,583	252,136
Interest income	1,008	5,894
Other	29,432	4,073
Total Revenues	<u>\$ 463,456</u>	<u>\$ 502,647</u>
EXPENSES		
Program development, management, and coordination	106,185	123,565
System surveillance and monitoring	105,926	113,458
Transportation management systems	88,443	86,679
Transportation systems planning and special studies	161,872	174,314
Other	11,363	-
Total Expenses	<u>473,789</u>	<u>498,016</u>
Change in Net Assets	(10,333)	4,631
Net Assets, beginning	133,137	128,506
Net Assets, ending	<u><u>\$ 122,804</u></u>	<u><u>\$ 133,137</u></u>

See accompanying notes to financial statements.

KALAMAZOO AREA TRANSPORTATION STUDY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Change in net assets	\$ (10,333)	\$ 4,631
Adjustments to reconcile change in net assets to net cash provided by activities		
Depreciation	3,603	3,604
(Increase) decrease in:		
Contracts receivable	1,810	70
Due from grantors	104,323	87,899
Prepaid expense	39	(1,428)
Decrease (increase) in:		
Accrued expenses	(8,359)	(23,327)
Due to Grantors, current	(3,265)	19,419
Due to local agencies - MTF	(1,463)	3,898
Compensated absences	4,911	6,071
Refund Due to Grantors Section 112	(372,126)	-
Refund Due To Grantors STP-U	(48,777)	-
Refund Due to Grantors Section 08	(133,778)	-
Net Cash Provided (Used) By Operating Activities	<u>(463,415)</u>	<u>100,837</u>
Cash (due from Kalamazoo County Road Commission), beginning of year	560,691	459,854
Cash (due from Kalamazoo County Road Commission), end of year	<u>\$ 97,276</u>	<u>\$ 560,691</u>

See accompanying notes to financial statements.

KALAMAZOO AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Principles

These financial statements present principally the transactions of the Kalamazoo Area Transportation Study (the Study), which accounts for the use of annually renewable federal and state transportation planning grants.

In accordance with United States of America generally accepted accounting principles and Government Accounting Standards Board Statement (GASB) No. 14, The Financial Reporting Entity, these financial statements represent the Kalamazoo Area Transportation Study. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Kalamazoo Area Transportation Study has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely presented component unit in these financial statements.

In June 1999, the GASB approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

Certain of the significant changes in the Statement that affect the Study's reporting include:

- A Management Discussion and Analysis section of the Study's overall financial position and results of operations.

KALAMAZOO AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Principles (continued)

Basis of Accounting

The Study is considered to be a proprietary fund type and as such prepares its financial statements on the full accrual basis of accounting. Costs are recognized in the period in which they are incurred. Revenues are recognized in the period when they are earned or in the period in which the expenditures financed by the revenue are incurred.

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$5,000 or more are recorded at cost and depreciated over the estimated useful life of the asset. Maintenance and repairs are expensed when incurred.

Due From Kalamazoo County Road Commission

The balance shown as due from the Kalamazoo County Road Commission represents cash held on behalf of the Kalamazoo Area Transportation Study.

For the purposes of the presentation of the statement of cash flows, the balance due from the Kalamazoo County Road Commission is considered to be equivalent to cash.

Advances From Local Units

Advances from local units represent long-term advances made to the Study for which no terms of repayment have been established.

Cost Allocation for Grant Billing

The Study's policy for allocating costs between common task items (program management and development) is to allocate two thirds of the cost to Section 112 and one third to Section 8.

KALAMAZOO AREA TRANSPORTATION STUDY NOTES TO FINANCIAL STATEMENTS

NOTE 2--Amounts Due From/To Grantors

Amounts due from/to grantors consist of the following:

Grant	2004		2003	
	Due From	Due To	Due From	Due To
Federal				
FHWA Section 112	\$ 86,118	\$ 14,141	\$ 122,981	\$ 14,141
FHWA STP Funds	-	-	33,262	3,265
OHSP TEPG Funds	-	462	-	462
FTA Section 8	13,824	4,568	45,112	4,568
State				
MTF	7,152	710	10,062	710
Totals	<u>\$ 107,094</u>	<u>\$ 19,881</u>	<u>\$ 211,417</u>	<u>\$ 23,146</u>

NOTE 3--Functional Allocation of Costs

The costs of providing the various programs have been summarized on a functional basis. Accordingly, certain costs (fringe benefits and indirect costs) have been allocated to the programs based on labor costs. The following schedule presents total expenses provided by the Study and other agencies. All agencies report labor and direct costs to the Study. Only the Study is allowed to charge fringe benefits and indirect costs.

	2004			2003		
	Grant Costs Submitted	Additional Project Effort	Total	Grant Costs Submitted	Additional Project Effort	Total
Kalamazoo Area Transportation Study	\$ 240,843	\$ -	\$ 240,843	\$ 245,880	\$ -	\$ 245,880
Kalamazoo County Road Commission	25,080	39,664	64,744	25,846	54,165	80,011
City of Kalamazoo	21,251	128,982	150,233	18,842	142,748	161,590
City of Portage	1,865	2,576	4,441	2,746	5,317	8,063
County of Kalamazoo and other agencies	692	1,473	2,165	448	2,024	2,472
	<u>\$ 289,731</u>	<u>\$ 172,695</u>	<u>\$ 462,426</u>	<u>\$ 293,762</u>	<u>\$ 204,254</u>	<u>\$ 498,016</u>

NOTE 4--Defined Benefit Pension Plan

Plan Description

The Study's defined benefit pension plan provides retirement, disability and death benefits to plan members and beneficiaries. The Study participates in the Kalamazoo County Employees Retirement System, a Public Employee Retirement System which is an agent multiple-employer plan administered by the

KALAMAZOO AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS

NOTE 4--Defined Benefit Pension Plan (continued)

Plan Description (continued)

Kalamazoo County Employees Retirement System. The Kalamazoo County Board of Commissioners establishes and amends the benefit provisions of the participants in the plan. The Kalamazoo County Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to the Kalamazoo County Employees Retirement System, 201 W. Kalamazoo Avenue, Kalamazoo, Michigan 49007 or by calling 269-384-8111.

Funding Policy

The Study is required to contribute at an actuarially determined rate; the current rate is 8.09% of covered payroll. Employees are currently not required to contribute to the plan. The contribution requirements are established by the Kalamazoo County Employees Retirement System. The contribution requirements of plan members, if any, are established and may be amended by the Study depending on the plan's contribution program.

Annual Pension Cost

For the year ended September 30, 2004, the Study's annual pension cost of \$8,706 for the plan approximated the Study's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.75% and (b) projected salary increased of 4.5% to 10.8% per year compounded annually, attributable to inflation. The actuarial value of the plan

KALAMAZOO AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS

NOTE 4--Defined Benefit Pension Plan (continued)

Annual Pension Cost (continued)

assets was determined on the basis of a market value method with five years smoothing. The amortization method is level percent of payroll, closed period.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12-31-01	-	100.00%	-
12-31-02	-	100.00%	-
12-31-03	192,645	103.10%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets {a}</u>	<u>Actuarial Accrued Liability Entry Age {b}</u>	<u>Unfunded AAL (UAAL) {b-a}</u>	<u>Funded Ratio {a/b}</u>	<u>Covered Payroll {c}</u>	<u>UAAL as a % of Covered Payroll {b-a}/{c}</u>
12-31-01	17,503,418	12,120,480	(5,382,938)	144.40%	2,710,965	-198.60%
12-31-02	16,147,397	13,789,623	(2,357,774)	117.10%	2,812,810	-83.80%
12-31-03	16,321,860	14,385,904	(1,935,956)	113.50%	2,887,703	-67.00%

NOTE 5--Contingent Liability for Interest on Advances

The Study received advances for operating purposes in the amount of \$45,000.

The agreements providing the advances (dated 12/09/1982) state that interest earned by the Study on these advances shall be distributed to the contributing agencies. Since inception, to the best of management's knowledge, no interest earned on the advances has been paid to the contributing agencies. The estimated amount of interest earned on the advances has not been determined. Management is currently negotiating this provision of the agreements with the contributing agencies.

KALAMAZOO AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS

NOTE 6--Contingent Liability for Federal and State Grants

The Study has received significant financial assistance from state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the Study.

SUPPLEMENTARY INFORMATION

KALAMAZOO AREA TRANSPORTATION STUDY
SCHEDULE OF EXPENSES BY FUNDING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2004

All Grants Combined

	KATS	Local Match	Project Effort	Supplemental Local Project Effort	Total Effort	Budget
Program Management and Development						
Program Management and Administration	\$ 41,674	\$ -	\$ 41,674	\$ -	\$ 41,674	\$ 36,000
Unified Work Program	17,621	188	17,809	446	18,255	20,100
Transportation Improvement Program	15,617	1,064	16,681	2,517	19,198	21,500
Public Involvement Process	14,471	3,737	18,208	8,850	27,058	38,000
System Surveillance and Monitoring						
Demographic Data Surveillance	5,834	-	5,834	-	5,834	28,996
Highway System Surveillance	5,385	7,302	12,687	11,542	24,229	13,001
Transit System Surveillance	5,628	7,335	12,963	62,900	75,863	42,524
Management Systems						
Pavement Management System	28,166	939	29,105	1,484	30,589	32,909
Asset Management	9,185	2,435	11,620	-	11,620	20,000
Bridge Management System	-	2,790	2,790	4,410	7,200	8,600
Safety Management System	26,788	1,297	28,085	2,050	30,135	34,218
UD-10 Coding System	6,904	-	6,904	-	6,904	7,400
Congestion Management System	720	494	1,214	781	1,995	10,783
Public Transportation Management System	-	-	-	-	-	3,500
Intermodal Management System	-	-	-	-	-	7,600
Management Systems Integrated Database	-	-	-	-	-	10,000
Systems Planning and Analysis						
Transportation Plan	29,491	1,007	30,498	1,592	32,090	27,001
Transit System Analysis	29,236	6,295	35,531	53,984	89,515	52,000
Highway System Analysis	-	10,435	10,435	16,496	26,931	18,326
Special Studies	4,123	3,515	7,638	5,557	13,195	19,001
Traffic Impact/Access Management	-	55	55	86	141	16,000
Subtotals	240,843	48,888	289,731	172,695	462,426	467,459
Cash Match						
FY 03 Audit cost	6,505	-	6,505	-	6,505	-
Grant repayment - Ridesharing	1,550	-	1,550	-	1,550	-
FY 01 Disallowed Audit cost	3,083	-	3,083	-	3,083	-
Miscellaneous Billing/Receipt adjustments	225	-	225	-	225	-
Subtotals	11,363	-	11,363	-	11,363	-
Totals	\$ 252,206	\$ 48,888	\$ 301,094	\$ 172,695	\$ 473,789	\$ 467,459

KALAMAZOO AREA TRANSPORTATION STUDY
SCHEDULE OF EXPENSES BY FUNDING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Grant - FHWA Section 112, PL 77384
(81.85%, 18.15%)

	<u>KATS</u>	<u>Local Match</u>	<u>Project Effort</u>	<u>Supplemental Local Project Effort</u>	<u>Total Effort</u>	<u>Budget</u>
Program Management and Development						
Program Management and Administration	\$ 29,190	\$ -	\$ 29,190	\$ -	\$ 29,190	\$ 25,200
Unified Work Program	12,339	167	12,506	264	12,770	14,070
Transportation Improvement Program	10,932	944	11,876	1,491	13,367	15,050
Public Involvement Process	10,130	3,316	13,446	5,243	18,689	26,600
System Surveillance and Monitoring						
Demographic Data Surveillance	5,834	-	5,834	-	5,834	28,996
Highway System Surveillance	5,385	7,302	12,687	11,542	24,229	13,001
Management Systems						
Pavement Management System	3,647	939	4,586	1,484	6,070	32,909
Bridge Management System	-	2,790	2,790	4,410	7,200	8,600
Safety Management System	26,788	1,297	28,085	2,050	30,135	34,218
UD-10 Coding System	6,904	-	6,904	-	6,904	7,400
Congestion Management System	720	494	1,214	781	1,995	10,783
Intermodal Management System	-	-	-	-	-	7,600
Management Systems Integrated Database	-	-	-	-	-	10,000
Systems Planning and Analysis						
Transportation Plan	29,491	1,007	30,498	1,592	32,090	27,001
Highway System Analysis	-	10,435	10,435	16,496	26,931	18,326
Special Studies	4,123	3,515	7,638	5,557	13,195	19,001
Traffic Impact/Access Management	-	55	55	86	141	16,000
Totals	<u>\$ 145,483</u>	<u>\$ 32,261</u>	<u>\$ 177,744</u>	<u>\$ 50,996</u>	<u>\$ 228,740</u>	<u>\$ 314,755</u>

KALAMAZOO AREA TRANSPORTATION STUDY
SCHEDULE OF EXPENSES BY FUNDING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Grant - FTA Section 8, 5303 77182
(80%, 20%)

	<u>KATS</u>	<u>Local Match</u>	<u>Project Effort</u>	<u>Supplemental Local Project Effort</u>	<u>Total Effort</u>	<u>Budget</u>
Program Management and Development						
Program Management and Administration	\$ 12,484	\$ -	\$ 12,484	\$ -	\$ 12,484	\$ 10,800
Unified Work Program	5,282	21	5,303	182	5,485	6,030
Transportation Improvement Program	4,685	120	4,805	1,026	5,831	6,450
Public Involvement Process	4,341	421	4,762	3,607	8,369	11,400
System Surveillance and Monitoring						
Transit System Surveillance	5,628	7,335	12,963	62,900	75,863	42,524
Management Systems						
Public Transportation Management System	-	-	-	-	-	3,500
Systems Planning and Analysis						
Transit System Analysis	24,346	6,295	30,641	53,984	84,625	52,000
Totals	<u>\$ 56,766</u>	<u>\$ 14,192</u>	<u>\$ 70,958</u>	<u>\$ 121,699</u>	<u>\$ 192,657</u>	<u>\$ 132,704</u>

KALAMAZOO AREA TRANSPORTATION STUDY
SCHEDULE OF EXPENSES BY FUNDING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Grant - MTF FY04 Asset Management

	<u>KATS</u>	<u>Local Match</u>	<u>Project Effort</u>	<u>Supplemental Local Project Effort</u>	<u>Total Effort</u>	<u>Budget</u>
Management Systemts Asset Management	\$ 9,185	\$ 2,435	\$ 11,620	\$ -	\$ 11,620	\$ 20,000
Totals	<u>\$ 9,185</u>	<u>\$ 2,435</u>	<u>\$ 11,620</u>	<u>\$ -</u>	<u>\$ 11,620</u>	<u>\$ 20,000</u>

KALAMAZOO AREA TRANSPORTATION STUDY
SCHEDULE OF EXPENSES BY FUNDING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Other Local

	<u>KATS</u>	<u>Local Match</u>	<u>Project Effort</u>	<u>Supplemental Local Project Effort</u>	<u>Total Effort</u>	<u>Budget</u>
Management Systems						
Pavement Management System	\$ 24,519	\$ -	\$ 24,519	\$ -	\$ 24,519	\$ -
Systems Planning and Analysis						
Transit System Analysis	4,890	-	4,890	-	4,890	-
Subtotals	<u>29,409</u>	<u>-</u>	<u>29,409</u>	<u>-</u>	<u>29,409</u>	<u>-</u>
Cash Match						
FY 03 Audit cost	6,505	-	6,505	-	6,505	-
Grant repayment - Ridesharing	1,550	-	1,550	-	1,550	-
FY 01 Disallowed Audit cost	3,083	-	3,083	-	3,083	-
Miscellaneous Billing/Receipt adjustments	225	-	225	-	225	-
Subtotals	<u>11,363</u>	<u>-</u>	<u>11,363</u>	<u>-</u>	<u>11,363</u>	<u>-</u>
Totals	<u>\$ 40,772</u>	<u>\$ -</u>	<u>\$ 40,772</u>	<u>\$ -</u>	<u>\$ 40,772</u>	<u>\$ -</u>

KALAMAZOO AREA TRANSPORTATION STUDY
SCHEDULE OF BUDGETED AND ACTUAL COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

<u>Costs</u>	<u>Budget</u>	<u>Percent</u>	<u>Actual</u>	<u>Percent</u>
Direct salaries	\$ 184,719	100.00%	\$ 109,734	100.00%
Fringe benefits:				
Annual leave	9,311		6,194	
Sick leave	8,651		6,117	
Emergency leave	665		-	
Holiday leave	6,655		4,118	
Social security	13,236		9,090	
Health insurance	33,387		19,546	
Dental insurance	3,554		1,959	
Optical insurance	370		224	
Life insurance	1,979		1,221	
Retirement	11,419		8,706	
Workers' compensation	2,595		349	
Subtotal	91,822	49.71%	57,524	52.42%
Indirect cost allocation base	276,541	100.00%	167,258	100.00%
Indirect costs:				
Office space	1,000		1,000	
Equipment	7,000		2,371	
Accounting services	2,000		-	
Legal services	5,000		-	
Legal notices	1,000		47	
Secretarial services	200		-	
Postage	5,000		1,183	
Copy cost	3,000		856	
Printing	2,500		1,501	
Supplies	4,200		2,028	
Telephone	2,000		1,432	
Equipment maintenance and repair	1,000		-	
Insurances	3,000		-	
Computer software	6,000		4,552	
Memberships	500		60	
Subscriptions	2,000		145	
Travel	3,000		2,279	
Educational/professional development	2,200		-	
Conferences	2,500		804	
Student employee education	1,500		-	
Website	1,000		804	
Depreciation	-		3,603	
Subtotal	55,600	20.11%	22,665	13.55%
Direct costs	129,318		50,920	
Total allowable and allocable costs	461,459		240,843	
Cash Match:				
Audit cost	6,000		6,505	
Grant repayment	-		1,550	
FY 01 disallowed audit cost	-		3,083	
Other	-		225	
Total Cash Match	6,000		11,363	
Total Costs	\$ 467,459		\$ 252,206	

Note: This schedule presents only costs incurred by KATS and does not include the costs of any other local agency.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

November 3, 2004

To the Policy Committee
Kalamazoo Area Transportation Study
Kalamazoo, Michigan

We have audited the financial statements of the Kalamazoo Area Transportation Study as of and for the years ended September 30, 2004 and 2003 and have issued our report thereon dated November 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Kalamazoo Area Transportation Study's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Kalamazoo Area Transportation Study's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control

To the Policy Committee
Kalamazoo Area Transportation Study
Kalamazoo, Michigan
November 3, 2004
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components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the Policy Committee of the Kalamazoo Area Transportation Study. However, this report is a matter of public record and its distribution is not limited.

Barbara Provencio & Schauman, P.C.

Certified Public Accountants